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ABSTRACT

Privatization calls for substantially trimming the scope and breadth of government services, replacing them with private or other nongovernmental operators. The attraction of privatization is reduced costs and increased management flexibility. To date, the arrangement has received substantial support from students and parents in situations that offered a full range of choice; however, it has not always produced higher student achievement. This brief contains an annotated bibliography of five publications that focus on privatization: (1) "Privatizing Education and Educational Choice: Concepts, Plans, and Experiences" (Simon Hakim, Paul Seidenstat, and Gary Bowman); (2) "Making Schools Work: Contracting Options for Better Management" (Janet R. Beales and John O'Leary); (3) "Reinventing Public Education" (Paul T. Hill); (4) "Public Schools Go Private" (Donna Harrington-Lueker); and (5) "Come Tesser with Us" (Pat Ordovensky). (LMI)

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Research ROUNDUP

NATIONAL ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS

ED 406 741

Privatization in Education

John Rehfuss

Privatization is a powerful social trend that is currently sweeping the nation. Basically, it calls for substantially trimming the scope and breadth of government services, replacing them with private or other non-governmental operators. It generally involves two strategies.

The first, called load-shedding, involves the complete withdrawal of public services. Non-government agents provide these services only if there is sufficient public demand (for example, snow removal in private subdivisions).

The second strategy, contracting out, is more common. This occurs when the government contracts with private parties, community groups, nonprofit organizations, or even former employees to provide public services. School districts, for example, can contract out for support services such as payroll processing, bus transportation, or janitorial services. They can also contract out for more comprehensive services, including use of private teachers to provide instruction, or even private or nonprofit firms to operate individual schools or even entire districts.

The attraction of privatization, particularly for local governments, is reduced cost and increased management flexibility. But lack of public funding and public trust may force school administrators to embrace at least some degree of privatization. School districts may be sorely tempted to contract with nonpublic agents that guarantee outcomes, or are willing to operate schools that have been difficult to manage.

School privatization to date has had some successes and some failures. It has received substantial support from students and parents where they have enjoyed a full range of choice. However, it has not always produced higher student achievement.

Simon Hakim, *Paul Seidenstat*, and *Gary Bowman* have edited a collection of 14 essays that advocate various types of privatization and school choice. Five of the essays report on programs and public-private partnerships already in operation.

Janet Beales and *John O'Leary* argue that contracting support services is a strong, viable management strategy for school administrators. They cite transportation, food services, school-facility management, and also instruction as areas where contracting has proved effective.

Paul Hill argues that contracting for operation of local schools is the only way to ensure lasting reform. His plan calls for each local school to contract out as an autonomous unit for the accomplishment of locally determined goals and missions.

John Rehfuss, a specialist in public administration and privatization, was commissioned to prepare this report by the ERIC Clearinghouse on Educational Management at the University of Oregon.

EA 028 306

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Donna Harrington-Lueker highlights the efforts of two private firms, Whittle Communications and Educational Alternatives, Inc. (EAI), to operate public schools under contract. Whittle's Edison Project has elicited substantial interest, though few contracts, while EAI has already achieved some success in Florida and Baltimore.

Pat Ordovensky writes of EAI's experience in Miami's South Pointe Elementary School. By all accounts, EAI's Tesseract approach has become a major attraction to parents and educators there, though the firm has yet to turn a profit.

Hakim, Simon; Seidenstat, Paul; and Bowman, Gary, Editors. **Privatizing Education and Educational Choice: Concepts, Plans, and Experiences**. Westport, Connecticut: Praeger Publishers, 1994. 239 pages. *Available from:* Greenwood Publishing Group, 88 Post Road West, Westport, CT 06881. (800) 225-5800. $22.95.

Hakim and his colleagues have assembled an impressive lineup of scholars, policy analysts, two former governors, a teachers' union president (Albert Shanker), a superintendent, and the president of the Carnegie Foundation (Ernest L. Boyer) to discuss the pros and cons of school choice and to debate the extent to which government should be involved in schools.

In their introduction, the editors spell out seven conditions that must be present for parents and students to have meaningful choice and for schools to have incentives to excel:

1. Principals and teachers must receive personal benefits for success, such as merit awards, promotion, and professional recognition.

2. "The geographical monopoly of schools should be eliminated....When competition is introduced, efficiency rises."

3. The service providers—principals and teachers—and not the central administration must have "power to make all administrative, recruiting, programmatic, and personnel decisions."

4. For this decentralization to occur, teachers' unions must be willing to release their influence over these issues to in-school unions.

5. Resource allocation (budgeting) should be the responsibility of individual schools.

6. The choice program must involve "a sufficient number of schools in the same category (*e.g.*, elementary schools) in order to avoid, by default, local monopoly."

7. State and local governments must reimburse parents for transportation costs to make choice and voucher programs widely available.

The essays in Part 1 ("Concepts") discuss the merits of school choice, guidelines for implementation, and types of contracting methods. Shanker and Bella Rosenberg of the AFT argue that choice options do not result in measurably higher student achievement scores.

In one of five chapters in Part 2 ("Alternative Plans"), former New Jersey Governor Thomas H. Kean outlines a useful typology of privatization efforts: Education Alternatives, Inc. (EAI) *privately manages public systems;* New American Schools Development Corporation (NASDC) plans to use *private ideas to create new public schools;* and Whittle Communications intends to *create new private schools*.

Part 3 ("Experiences") features evaluations of choice programs in New Hampshire, Milwaukee, Miami, East Harlem, and Minnesota.

Beales, Janet R., and O'Leary, John. **Making Schools Work: Contracting Options for Better Management**. Los Angeles: Reason Foundation Policy Study No. 169, November 1993. 39 pages. *Available from:* Reason Foundation, 3415 S. Sepulveda Blvd., Suite 400, Los Angeles, CA 90034. (310) 391-2245. $15.00 plus $1.50 shipping and handling.

Beales and O'Leary quote an Oklahoma superintendent who says that "contracting for auxiliary and support services is the trend of the future. Privatization of these services will enable school

About ERIC

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districts to obtain the management services of companies whose primary expertise and focus is in these specific areas."

The authors devote the first of two major sections to an overview of contracting for pupil transportation, food services, janitorial/facilities management, and even the provision of facilities. As an example of the latter strategy, they cite the American Bankers Insurance Group, which contributes about $50,000 a year to support a school on its premises for about 60 children of employees in grades K-2. The school district supplies the teachers, curriculum, administration, and supplies.

In the second section, Beales and O'Leary survey private-sector enterprises that provide all or part of three core services: management, instruction, and curriculum. In the instructional area, for example, Sylvan Learning Systems provides remedial education for disadvantaged students in five Baltimore elementary schools; a Florida elementary school contracts with Berlitz International, Inc. to offer a Spanish-as-a-second-language program; while Science Encounters teaches activity-based science to 1,500 children a year.

"An advantage of contracting for instructional services is that private providers can be judged on outcomes, with firms being rewarded for successfully teaching students," say the authors. The great value of public-private partnerships in general, they claim, "is that they harness competitive efficiencies to the benefit of student welfare."

Hill, Paul T. **Reinventing Public Education.** Santa Monica, California: RAND Corporation, Institute on Education and Training, Report MR-312, 1994. 124 pages. *Available from*: RAND, P.O. Box 2138, Santa Monica, CA 90407-2138. (310) 393-0411. $15.00 plus $3.00 shipping and handling.

Unlike most RAND reports, this is not a scholarly study but a position paper. Hill argues that the only significant option left for improving United States education is contracting.

Hill defines *contracting* as an arrangement by which each school becomes an independent entity, operating under a contract, or set of goals, with a public central administration. Some schools would be run by parents, some by teachers' unions, some by private firms, some by universities, and so forth. Each school's mission would be established by its contract, which would specify goals, funding, student outcomes, and type of instructional program.

Local schools would hire their own teachers, there would be fewer rules governing student admission, and all schools would be equally funded. The purpose of contracting would be to free schools from central administration control, allowing them to compete for students by working to achieve their locally set goals.

Hill argues that contracting ensures equity in funding by the central administration, guarantees unbiased student selection, improves teacher professionalism, and makes possible evaluation through meaningful performance measures. He says that contracting has three advantages over the present system: It creates positive incentives for school staffs; ensures that educational funds are spent at the school level; and deflects pressure for overregulation.

Harrington-Lueker, Donna. **"Public Schools Go Private."** *The American School Board Journal* 180: 9 (September 1993): 35-39. EJ 468 728. *Available from*: David Collins, Circulation Dept., National School Boards Association, 1680 Duke St., Alexandria, VA 22314. Fax: (703) 549-6719. $5.00 per copy.

This article highlights the educational efforts of two private firms. Whittle Communications originally hoped to build a nationwide chain of 200 private schools by 1996, but now has reduced that goal in favor of managing existing public schools. Whittle's vehicle is the Edison Project, a comprehensive approach which combines character education, fine arts, computer technology, and foreign languages.

In 1990, Minneapolis-based Education Alternatives, Inc. (EAI) signed a five-year contract to manage the educational program for a new Dade County, Florida, school, and in 1992 EAI began a five-year, $133 million contract to manage nine public schools in Baltimore. Both contracts feature EAI's Tesseract method, which emphasizes computer technology and individualized instruction, with a teacher and full-time aide in each classroom.

Harrington-Lueker reports mixed success for EAI in Baltimore, where computers were late in arriving and there were disputes with the teachers' union. However, the Dade County program, where the South Pointe Elementary School is EAI's showcase, seems to be a marked success even though the company incurred substantial losses the first year.

The author quotes Alex Molnar, professor of education at the University of Wisconsin-Milwaukee, and Denis Doyle of the Hudson Institute, both of whom feel that Whittle and EAI should target low-performing schools in poor, urban districts. As school

reform in inner cities falters, says Harrington-Lueker, "the line between public and private will continue to blur."

Ordovensky, Pat. "Come Tesser with Us." *The Executive Educator* 15: 12 (December 1993): 21-23. EJ 474 260. *Available from:* Lucia Taiyel, Circulation Dept., National School Boards Association, 1680 Duke St., Alexandria, VA 22314. Fax: (703) 549-6719. $5.00 per copy.

According to Ordovensky, the program offered by Educational Alternatives, Inc. at South Pointe Elementary School in Miami is so popular that affluent parents transfer their children from private schools. While Dade County built the school in a low-income Hispanic neighborhood, and hired the staff, EAI supplies the instructional package, called Tesseract. It provides for two paid teachers in each classroom, with a student-teacher ratio of 15:1.

Tesseract involves a personal education plan for each student, developed by the teacher in consultation with parents. Students make their own educational decisions with teacher guidance. The Tesseract program is based on the philosophy that children learn for themselves, not to impress others. Thus, children have no assigned seats and move freely among groups of classmates, while teachers operate largely in the background as coaches and advisers.

The Tesseract system relies on conferences with parents four times a year to discuss student performance; report cards are not used. The lack of report cards bothers some parents, but many teachers like the absence of grade competition.

Dade County pays EAI the district's average per-pupil cost and EAI has to raise the rest privately. Savings after school reimbursements provide EAI with its profit. So far, however, EAI has earned nothing.

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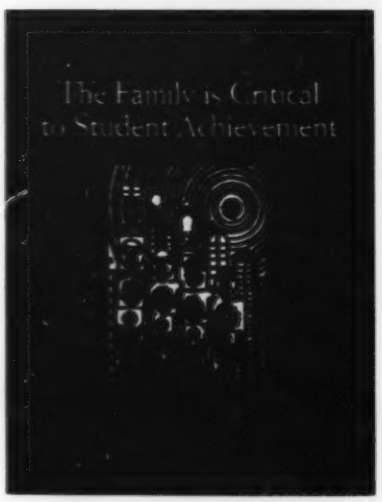

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